

Public-Private Partnership with Forest City/LiveWork

Executive Summary

I. Overview of the Projects to be Developed by Forest City/LiveWork

A. Developer Background. Between 2004 and 2007, David Mitchell and Barnet Liberman, through their company, LiveWork, LLC, purchased the majority of five city blocks in downtown Las Vegas, located between Garces Avenue, Lewis Avenue, Main Street, and Casino Center Boulevard (“City Hall/Block Project Site”). Following the purchase Mr. Mitchell and Mr. Liberman worked to attract a major national developer to assist with their vision of developing a new civic center campus which would house a new transportation terminal, new office development, and new retail development. Their efforts culminated in successfully attracting Forest City Enterprises, Inc. with the purchase, through certain of its affiliates, of a 60% interest in the City Hall/Block Project Site. Forest City Enterprises, Inc. is a publicly-traded real estate development company which is headquartered in Cleveland, Ohio and which develops, owns and manages commercial real estate in urban centers throughout the United States. Examples of Forest City Enterprises, Inc.’s recent projects include the redevelopment of Stapleton Airport in Denver, the development of the New York Times office tower in Manhattan, and the redevelopment of San Francisco’s Emporium Mall, in partnership with Westfield, in downtown San Francisco. (“Forest City” refers to certain affiliates of Forest City Enterprises, Inc. formed for the purpose of carrying out the development projects discussed herein.)

B. Goals of the Development. As outlined in the Master Development Agreement, the City reached agreement with Forest City/LiveWork for a three-tiered project to be developed over multiple and overlapping phases (pursuant to the terms and conditions of the real estate documents). First, the Developer will develop a new City Hall Campus on the portion of the City Hall/Block Project Site commonly referred to as the Queen of Hearts Site (“City Hall Site” in the real estate documents). Second, the Developer will develop a new, 1,000-room hotel-casino complex at the northern end of Symphony Park. Third, the Developer will develop a civic center campus and/or private offices and retail (the “Block Project”) on the balance of the City Hall/Block Project Site which will include the Bonneville Transit Center, a terminal which is currently under construction and which will be the central station for the Regional Transportation Commission of Southern Nevada (RTC). The \$17 million Bonneville Transit Center also will serve as the central transit hub for the RTC’s ACE Rapid Transit system, ACEXpress Commuter services, and the RTC’s fixed route transit system. The Block Project envisions 900,000 to one million square feet of class “A” office, and up to 300,000 square feet of retail development along First Street.

The final agreements set forth the terms of the following transactions: (1) the development of City Hall on the City Hall Site by Developer for a fixed fee and a guaranteed maximum price; (2) the exchange (swap) of the Developer-owned City Hall Site for the City-owned P-Q site in Symphony Park (the “Parcel P-Q”); (3) the development of a hotel-casino on Parcel P-Q in Symphony Park provided that the City maintains neighboring development commitments and that the City provides utilities and infrastructure to support developing the hotel-casino project; (4) the vacation of First Street between Garces and Bonneville, (5) the dedication by Developer of certain property to facilitate the completion of the Bonneville Couplet (a pair of East-bound and West-bound one-way streets to ease traffic congestion); and (6) a tax increment financing (TIF) incentive for the Block Project, which decreases over time to encourage the Developer to build the project as expediently as market forces will allow. (This is an executive summary and the transactions described herein are subject to the terms and conditions set forth in the definitive agreements).

By providing for the direct development of three major projects, the agreements with the Developer incorporate a private-sector “asset management” approach to the City’s management of its assets. In addition to the land being developed directly by the Developer, the City’s decision to relocate its City Hall headquarters to the City Hall site releases the current city hall campus for future development. This move enhances the ability of the CIM Group to redevelop the Lady Luck hotel casino by creating additional retail and hotel development opportunities on the acreage surrounding the U.S. Post Office (being developed as the Las Vegas Museum of Law Enforcement and Organized Crime). This

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move also enhances the ability of the City to develop the current city hall campus, the Stewart Avenue Garage, and 12 City-acquired acres near Las Vegas Boulevard and Stewart Avenue. The City has engaged the Cordish Company, headquartered in Baltimore, to develop the combined city hall campus as a new Las Vegas Live! entertainment district with the potential for a new 18,000-seat arena which would house year-round events and which could house NBA™ basketball and/or NHL™ hockey teams.

C. Fiscal and Economic Impact. The public-private partnership will have a transformative effect on downtown Las Vegas. The fiscal impact for the four major projects catalyzed by the agreements – the Parcel P-Q Hotel-Casino, the civic center project on the Block Project Site (“LiveWork Las Vegas”), the CIM Lady Luck Redevelopment Project, and the Cordish Companies Live™ District and Arena Project – would generate a projected \$4.1 billion in private real estate development, yielding between \$16 million and \$20 million in annual tax increment revenue to the City of Las Vegas Redevelopment Agency (“RDA”) and a projected 13,441 permanent jobs. The structure of the agreements minimizes risk to the public sector by appropriately shifting risk for the private development to the City’s private development partners. This Executive Summary explains in detail each of the Developer’s three projects. While successful development is not guaranteed, the agreements position the City to reap the fiscal and economic benefits of the projects, and indirectly, the benefits of the CIM Group project and the Cordish Companies project. The impact of the projects is summarized in the attached map:



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II. City Hall Project

A. Project Scope. The new City Hall Project is a new office headquarters which is designed to replace the current City Hall campus. It replaces an inefficient office building and incorporates sustainable design to minimize power usage and thus the building's operating costs. The 8-story office building encompasses 308,990 square feet (net useable square feet of 269,815 square feet) with a single-level basement for 47 parking stalls and 7 stories of office space. The building also includes 2,000 square feet of retail use on the ground floor, a meeting area (Council Chambers), a cafeteria and an outdoor patio area. The City estimates 834 employees will initially occupy the building. The building is designed to meet the Silver LEED® standard established by the U.S. Green Building Council. Employee and visitor parking will be provided in an off-site, structured parking garage located at 500 South Main Street which is being managed by the City as a design-build project, and which is being financed separately from the City Hall Project (using revenue bonds already issued and sold by the City).

B. Development Team. Forest City was selected as the developer for the City Hall Project because (1) Forest City and LiveWork, LLC own the site on which the City Hall Project will be built, and (2) the City wants to use Forest City's expertise in commercial development to oversee the design and construction of the project. Forest City formed two limited liability companies called PQ Las Vegas, LLC and QH Las Vegas, LLC (collectively referred to as "Developer"). The Developer engaged a design team comprised of JMA Architecture as the executive architect and Elkus Manfredi Architects as the design architect as well as several third-party consultants. The Developer chose a construction manager at-risk (CMAR) process whereby the general contractor is engaged at the beginning of the project, provides design and construction pricing feedback, and then works with the owner/developer to minimize the overall construction cost. The result of this process is a firm project scope, schedule, and cost which serve to ensure that the City Hall Project is delivered on time and on budget.

C. Development Budget. At the direction of the City, the Developer, the design team, and Whiting-Turner have managed the project budget so that the total development cost will be less than \$150 million. The development budget consists of the following costs:

City Hall Project Budget	
	<i>Estimated Cost</i>
Land	<i>(\$000's)</i>
Lessor's Land Carry During Construction	\$ 4,644
Hard Costs	
City Hall Construction ⁽¹⁾	\$ 105,573
Lessor's Pre-Contract and Pre-Construction	753
Testing & Specialty Inspection Fees	1,000
Development Management ⁽²⁾	2,034
Subtotal Hard Cost	<u>\$ 109,360</u>
Soft Costs	
Fixtures, Furnishings & Equipment ⁽³⁾	\$ 11,000
Permits, Utilities and Miscellaneous Fees	1,150
Architecture and Engineering	7,943
Misc. Legal plus other consultants	100
Lessor's Travel & Lodging	416
Real-estate Taxes (Land)	215
Real-estate Tax (Improvements)	2,198
Builders Risk Insurance to be provided by City	165
Soft Cost Contingency	1,575
City Internal Labor and closing cost	400
Developer's Fee ⁽⁴⁾	6,325
Public Art Fund (supplement to built-ins)	750
Subtotal Soft Cost	<u>32,237</u>
TOTAL ESTIMATED COST	<u>\$ 146,241</u>

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- (1) Construction Contingency Allowance of \$6,012 is included in this item. Includes GMP Contract Costs, costs of third party professionals and consultants incurred prior to construction and Nevada Electric and other utility planning and installation costs.
- (2) Lessor's Development Management during construction period.
- (3) Includes an additional \$6,000,000 of FF&E to be supplied by the City.
- (4) Fee equals 5% of total cost exclusive of land carry, builder's risk insurance, and taxes on improvements.

Source: Preliminary Official Statement

The Hard Cost is established in the Guaranteed Maximum Price (GMP) contract between Forest City and Whiting-Turner and includes a hard cost contingency. In addition, Developer has entered into an agreement with Forest City Commercial Construction Company, Inc. to oversee construction of the City Hall Project. The Hard Cost line item on the City Hall Project budget also includes demolition and asbestos abatement of the existing buildings on the City Hall Site. The GMP also includes the cost of removing existing on-site utilities, including the relocation of transmission lines and distribution lines for electrical power. The Architectural and Engineering (A&E) cost includes all of the design associated with the development of the project. The Furniture, Fixtures & Equipment includes all of the equipment needed to operate the building. (Some equipment, such as telecommunications equipment, will be installed with separate funds appropriated by the City.) The City has negotiated a flat 5% developer fee, which is payable to Forest City over the construction period, for services to be rendered in connection with managing the design team and the construction team. Additionally, the City has agreed to reimburse the Developer an amount equal to two-thirds of its costs for legal expenses associated with the City Hall Project and the COPs financing. This reimbursement shall be capped at \$1 million and shall only be payable out of cost savings actually realized on the City Hall Project. The City also negotiated the use of the City Hall Site during construction for a "land carry" cost which is the Developer's actual cost of owning the land for the two-year construction period. Finally, the property tax is the assessment against the land and improvement during construction.

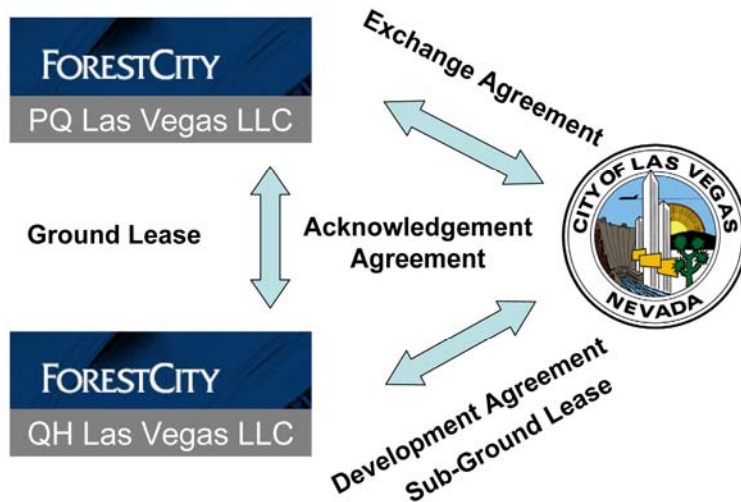
D. Role of City in Project Because the City is engaging the Developer to develop the City Hall Project on its behalf, the City is relying on the Developer to oversee the entire development of the City Hall Project. In doing so, the City is merely overseeing Developer's progress rather than directly managing the City Hall Project. The City will be leasing land from the Developer (an affiliate company, QH Las Vegas LLC) via the **Sub-Ground Lease**; during construction, the City will sublease the land back to Forest City. The City will make the fixed rent/land carry payment of \$4,644,000 at the start of construction. Subsequent to completion of the City Hall Project and turnover of the building from Developer to the City, the City will own the City Hall building subject to the Lease-Purchase (Financing) Agreement. The City will be responsible for insuring the building, operating the building (including all operating costs), and maintaining the building. Rather than buy the City Hall Site land from the Developer, the City has agreed to acquire the land using a property exchange whereby the City will convey Parcel P-Q in Symphony Park to Developer, and Developer will convey the City Hall Site to the City, pursuant to the **Exchange and Parcel P-Q Development Agreement**.

If the property exchange (land swap) occurs at the completion of construction as planned, then the City will own the land beneath the new City Hall building. If the property exchange does not occur for any reason, the City will have effective control and ownership of the land through the **Sub-Ground Lease**. The Sub-Ground Lease will remain in effect for a non-terminable 75-year period and will be for a rental of one dollar (\$1.00) per year. This is meant as a "safety-valve" as both the City and the Developer will place deeds conveying their properties (P-Q Parcel and the City Hall Site, respectively) in escrow at closing of the COPs financing with the full intention of exchanging properties at the completion of construction. If for any reason the City Hall Site is not exchanged, the Sub-Ground Lease will remain in place with no right to terminate by either PQ Las Vegas, LLC or QH Las Vegas, LLC pursuant to the Sub-Ground Lease and the **Acknowledgment and Recognition Agreement**.

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E. Role of Forest City in project. During construction, an affiliate of Forest City will provide development services to the Developer of the City Hall Project. The Developer is committing to develop the City Hall Project on schedule and on budget per the **City Hall Development Agreement**, which is between QH Las Vegas, LLC (an affiliate company of Forest City/LiveWork) and the City. Through the **Development Services Agreement**, QH Las Vegas, LLC is contracting with its commercial construction group, Forest City Commercial Construction Co., Inc. (“Owner’s Agent”) to oversee Whiting-Turner and provide, or cause others to provide, the development services necessary to complete the project. Forest City Commercial’s team is led by Dimitri Vazelakis, who heads Forest City’s Commercial Group in Los Angeles, and includes David Phillips who is based in Las Vegas. Mr. Phillips will be working full-time on the City Hall Project. Forest City also is lending its corporate strength to guarantee the completion of the building as a backstop to Whiting-Turner, through a **Completion Guarantee** which is between Forest City and the City. PQ Las Vegas, LLC an affiliate of Developer and the owner of the City Hall Site, is entering into a **Ground Lease** with QH Las Vegas, LLC. A diagram of this structure is shown below:



F. Role of Whiting-Turner in Project. Whiting-Turner will enter into a **Construction Manager At-Risk Agreement** for construction of the City Hall Project at a Guaranteed Maximum Price. Forest City will be responsible for enforcing the terms of this Agreement. The City does have a right to take assignment of this agreement if the Developer defaults on its development agreement and its obligations to the City, which are specified under the **Development Services Agreement**.

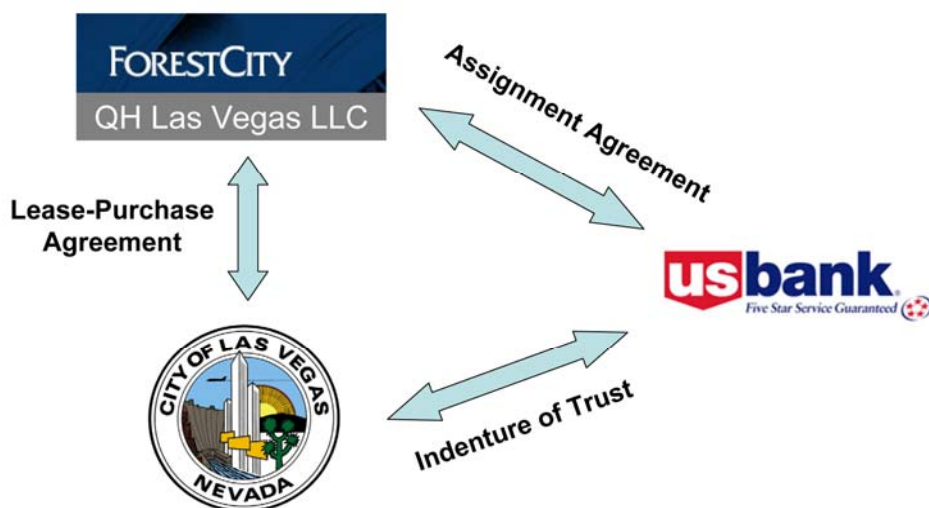
G. Project Financing via a Lease-Purchase Agreement. The City sought to accomplish several goals with the financing of the City Hall Project. First, the City wanted to structure a payment schedule that would give the City flexibility over the initial 7 years of the financing for the project, with the goal of a zero payment during the first 3 years, then a \$2 million annual payment over year 4 through year 7. Second, the City sought to have certainty regarding the actual payments to be made (i.e., not variable rate payments where the actual payment could fluctuate over time). Third, the City sought to have the lowest cost of financing possible, given the constraint of Forest City owning the land for the project. The financing solution selected by the City is a Lease-Purchase Agreement and a City-issued revenue bond, which may be supported by future tax increment revenue from the Redevelopment Agency.

A lease-purchase agreement (Installment-Purchase) is a financing mechanism authorized under Nevada Revised Statutes (N.R.S.) Chapter 350 and the Las Vegas City Charter. This financing mechanism functions similar to an installment loan for a vehicle, whereby a consumer purchases a vehicle by making installment payments, and then owning the vehicle free and clear at the end of the payment schedule. As specified in the **Lease-Purchase Agreement**, the City of Las Vegas (Lessee) is financing

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and purchasing the new City Hall Project upon completion from QH Las Vegas, LLC (Lessor). QH Las Vegas, LLC was formed by the Developer, LiveWork, LLC and Forest City, to own the City Hall Site during the term of the financing. The City agrees to make lease payments to QH Las Vegas, LLC over the 30-year term of the Lease-Purchase Agreement. QH Las Vegas LLC will irrevocably assign the right to receive annual lease payments to a Trustee Bank, U.S. Bank, through an Assignment Agreement. U.S. Bank's lease payments are sold to investors as "Certificates" according to the Indenture of Trust agreement between U.S. Bank and the City. These investors agree to receive these payments for a return on their investment. (This return is determined by a public sale of the Certificates of Participation (COPs) as explained in a Preliminary Official Statement.) A diagram of this structure is shown below:



The Lease-Purchase Agreement includes an appropriations clause, required by NRS, which provides that the City must appropriate annually the revenue or funds needed to make lease payments. In the event the City elects not to appropriate the revenue or funds needed to make each annual lease payment, the City will have no liability for any future payments of rent due. Although the City has this appropriations clause in the Lease-Purchase Agreement, the City is agreeing to act in good faith under the Lease-Purchase Agreement by requesting that the City Council make an annual appropriation (Section 6.3). If the City can not make its payment it is required to notify the Trustee and the Lessor. The payments due payable under the Lease-Purchase Agreement are debt on the City's books; however, the debt does not count against the City's statutory debt limit. To secure the debt, the City is providing as collateral the new City Hall Project (land and building), and the Main Street Parking Garage (land and building) through a Deed of Trust in favor of the Trustee bank.. The City also will insure the new City Hall building and the Main Street Parking Garage. In the event the City fails to make rent payment due under the Lease Purchase Agreement, the City Hall project (land and building), and the Main Street Parking Garage (land and building) will be subject to foreclosure.

The City has received approval from the three public bodies having approval authority over lease-purchase agreements: the Clark County Debt Management Commission (DMC), the Nevada Department of Taxation, and the Las Vegas City Council. The DMC approval approved the financing package, provided that the par value of the bonds did not exceed \$267 million, and provided also that the annual payment did not exceed \$23.4 million. These two figures act as "ceilings" which the City can not exceed when packaging the debt. The current debt package, as discussed below, is substantially less than these approved debt ceilings.

H. Financing Structure and Sources of Funds. As the City's lead underwriter and with advice from City financial advisor, Nevada State Bank, Stone & Youngberg structured a financing package which keeps the overall financing cost at a projected rate of 5.5%, using COPs and a possible City-issued

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revenue bond. The COPs financing is sold through two bond offerings – (1) a tax-exempt bond series with a projected par value of \$14.945 million; and (2) Build America Bonds, which are taxable bonds with a 35% income tax credit against the bonds' taxable interest, with a projected par value of \$170.2 million, and which are used to fund \$137 million in capital proceeds for the City Hall Project. Together, the COPs generate the total amount needed to finance the project. (If Bond insurance is used, the City will issue a third series of bonds which will be used to pay for the bond insurance premium. Because Standard & Poor's and Fitch has rated the COPs debt package at an investment grade rating of AA-, it appears that bond insurance will not be needed.)

The Project Financing Model may require a 15-year revenue bond supported by Consolidated Tax revenue, with potential secondary payment support from Redevelopment Agency tax increment revenue via an **Interlocal Agreement between the City of Las Vegas and the City of Las Vegas Redevelopment Agency**. The Revenue Bond is projected to be at a par value of \$46.9 million and to be issued in 2012, at which time the proceeds from the revenue bond will function like a credit line and make funding available to the City for year 4 through year 7 of the payment schedule. The annual Revenue Bond payment is projected to be between \$1.7 million and \$6.3 million. Through the Interlocal Agreement, the Redevelopment Agency is agreeing to consider using future tax increment revenue (to the extent revenue is available) to make a partial payment toward the COPs payment. The Redevelopment Agency also could make a partial payment towards the Revenue Bond. This bridge financing solution, in effect, buys the City time for its General Fund revenues (Consolidated Tax and Property Tax) to recover before being required to make a "full" COPs debt payment. The full (or maximum) COPs debt payment is projected to be \$13.4 million. The combined maximum payment under the Project Financing Model is projected at \$19.7 million. (A more detailed explanation of this Project Financing Model is included in the Financial Summary prepared by Chief Financial Officer Mark Vincent.) A Sources of Funds table is shown below:

City Hall Project, Estimated Sources and Uses

Sources:	(\$000's)
Certificate Proceeds	\$ 137,000
Existing City Funds ⁽¹⁾	<u>20,100</u>
	\$ 157,100
Uses:	
Hard Costs ^{(2) (3)}	109,360
Soft Costs ⁽⁴⁾	32,237
Land Carry during construction	<u>4,644</u>
Total Project Costs	\$ 146,242
Excess Funding Available for Additional Contingency ⁽⁵⁾	\$ 10,858

⁽¹⁾ Includes funds contributed by the General Fund, Capital Project Fund and Internal Service/Enterprise Funds and proceeds from general obligation bonds issued for Symphony Park.

⁽²⁾ Contain a combined contingency of approximately \$7,587,000.

⁽³⁾ Includes GMP Contract costs, construction management costs, costs of third party professionals and consultants incurred prior to construction and Nevada Electric and other utility planning and installation costs.

⁽⁴⁾ Includes architectural fees, engineering fees, Lessor's development fees, real estate taxes during construction and the cost of furniture, fixtures and equipment and certain other soft costs.

⁽⁵⁾ Of the excess funding available for additional contingency, \$10,858,000 will be appropriated by the City prior to the Closing date and deposited in a City Hall Capital Project Construction Fund held by the City.

Source: Preliminary Official Statement

COPs proceeds are received by the Trustee, U.S. Bank, at closing of the COPs financing and will

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be used to fund the City Hall Project costs shown in the *City Hall Project Budget*.

III. P-Q Project

A. Parcel P-Q in Symphony Park. The second project of the three-tiered proposed development with the Developer is a hotel-casino development in Symphony Park. The site of the project is a 6.53-acre site known as Parcel P-Q in the Symphony Park Project Master Plan. The site is located at the northeastern corner of Symphony Park. Parcel P-Q is zoned to allow non-restricted gaming, with the exception of a small sliver of the site which is located within the 1,500-foot radius line of the St. Joan of Arc Roman Catholic Church.

B. Property Exchange at the closing of the City Hall COPs. As also identified above in the City Hall Project Summary, Forest City intends to take leasehold ownership of Parcel P-Q at the closing of the COPs financing and then to take fee simple title ownership of Parcel P-Q at the construction completion of the City Hall project. Forest City (via PQ Las Vegas, LLC) intends to exchange with the City of Las Vegas (via City Parkway IV A, Inc.) the City Hall Site for Parcel P-Q, pursuant to the **Exchange and Parcel P-Q Development Agreement**. If this property exchange occurs at the completion of City Hall as planned, then Forest City (via PQ Las Vegas, LLC) will own Parcel P-Q. If the property exchange does not occur for any reason, then Forest City (via PQ Ground Lessee, LLC) will have effective control and leasehold ownership of the land through the **Ground Lease by and between City Parkway IV A, Inc. and PQ Ground Lessee, LLC**. This Ground Lease will remain in effect for a non-terminable 75-year period and will be for a rental of one dollar (\$1.00) per year. This is meant as a “safety-valve” as both the City and Forest City will place a deed conveying their properties (Parcel P-Q and the City Hall Site, respectively) in escrow at closing of the COPs financing with the full intention of exchanging properties at the completion of construction. KeyBank, which provided Forest City with a loan for the purchase of the City Hall Site and the Block Project site, will obtain a Leasehold Deed of Trust (“**PQ Supplemental Deed of Trust**”) simultaneously with the closing of the COPs.

C. Forest City’s Post-Closing Obligations on Parcel P-Q. The City and Forest City negotiated a land purchase price of \$33,170,000 for the City Hall Site and \$40,250,747 for the Parcel P-Q Site. The City and Forest City agreed that the difference in value would be incurred by Forest City as additional development expenses for Parcel P-Q in an amount of \$7,080,747 (“Developer Obligations Cap”). The obligations of the Developer of Parcel P-Q are specified in the **Declaration of Special Land Use Restrictions (“P-Q DSLUR”)** agreement, which is between the City (City Parkway IV A, Inc. and City Parkway V, Inc.) and the Developer’s affiliate companies PQ Las Vegas, LLC and PQ Ground Lessee, LLC. Forest City has agreed to use its funds up to the ***Developer Obligations Cap*** to pay for (1) environmental remediation, to the extent not performed by Union Pacific Railroad; (2) infrastructure for the Parcel P-Q, to the extent that necessary infrastructure is not installed by the City, (3) the construction of a 10,000 square foot, vanilla shell substation to house fire services and/or metropolitan police services; and/or (4) the purchase of air rights from Union Pacific Railroad and the development of a pedestrian bridge to connect Parcel P-Q to the eastern side of the UP rail line (**Section 2.4 of the P-Q DSLUR**).

D. P-Q Project Scope and Schedule. As identified in Section 2.2 of the P-Q DSLUR, Forest City desires to build a hotel-casino development containing 1,000 rooms, 60,000 gross square feet of gaming space, structured parking, and the Fire/Police Substation. Forest City also intends to build retail space as part of the program. Forest City has received a Site Development Plan review (SDR) entitlement for the project and a Special Use Permit (SUP) for the gaming on the site.

The Schedule for the P-Q project is contained in Section 2.2(a) of the P-Q DSLUR. It sets forth the expectation that Forest City will commence development of the project within seven years of the closing of the COPs financing (which is five years from the scheduled completion date of City Hall). Forest City is required to commence construction if five conditions are satisfied: (1) the City has completed construction of the Smith Center for the Performing Arts; (2) construction has commenced for 180 residential units in Symphony Park; (3) construction commencement of 400,000 square feet or more

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of the World Jewelry Center; (4) construction commencement of a nongaming hotel, 200 rooms or larger; and (5) construction start of infrastructure to support Parcel P-Q when the P-Q project is “permit-ready”. If these five conditions are not met, then the Developer shall have an extra two years, which is nine years from the closing of the COPs financing (and which is seven years from the intended date of City Hall completion). The City’s sole remedy if Developer doesn’t meet this schedule is a Purchase Option whereby the City can buy back site for a purchase price of \$33,170,000, plus cost of any improvements constructed on Parcel P-Q (**Section 3.4 of P-Q DSLUR**).

E. Additional Development Obligations and Rights of Forest City. In addition to the performance under the Developer Obligations Cap, the Developer also is required to design and build the project according to the Symphony Park Design Standards as outlined in the P-Q DSLUR. Forest City does have the right to build an alternate use after the 7-year or 9-year development period (as applicable) expires and after the City would elect to not purchase Parcel P-Q from Forest City. In addition, the City’s purchase option right terminates nine years after the closing of the COPs financing if (1) Forest City executes a term sheet with an acceptable gaming operator, (2) Forest City completes conceptual drawings for the casino-hotel project, (3) Forest City completes site development plans for the casino-hotel project, (4) the site plans for the casino-hotel project have been approved by the Design Review Committee for Symphony Park, (5) Forest City has completed a market study for the casino-hotel project; and (6) Forest City has expended \$400,000 in cash for the casino-hotel project site planning and market study (**Section 2.2 of P-Q DSLUR**).

F. City Obligations for P-Q. The City (via City Parkway V, Inc.) has two sets of obligations to Forest City under the **Exchange and Parcel P-Q Development Agreement**. First, and subject to future appropriation by the City, the City must install the infrastructure improvements, including the wet and dry utilities, as identified in Section 4 and Exhibit D of the P-Q DSLUR. Second, pursuant to the **Project Environmental Management Agreement** (Exhibit E to the P-Q DSLUR), the City must pursue reimbursement from Union Pacific Railroad for any environmental remediation costs for which the City is eligible, or apply any reimbursement rewards from Union Pacific Railroad to remediation costs. (Forest City, after closing on leasehold ownership or fee ownership of Parcel P-Q, will bear the primary responsibility for pursuing claims against Union Pacific Railroad.) Forest City is required to give the City Notice when a term sheet is executed with a Gaming Operator, when entitlements are in place, and when a market study has been completed evidencing Developer is ready to proceed with the casino-hotel project and needs Infrastructure for Parcel P-Q in order to start project (**Section 4.1(b) of P-Q DSLUR**). Forest City’s main remedies if the City defaults on its infrastructure obligation is that it can use its Developer Obligation Cap funds to construct the necessary infrastructure, or it can apply for Tax Increment Financing funds from the Redevelopment Agency for future tax increment revenue to be generated by the P-Q project to off-set the cost to install any necessary infrastructure (**Section 4.1(c) of P-Q DSLUR**).

G. Rights of Forest City’s Lender on P-Q Project. Forest City’s land lender, KeyBank, is a recognized mortgagee and thus has certain rights associated with the P-Q project. If Forest City defaults on its loan made by Key Bank on June 22, 2007, then Key Bank may foreclose on either its PQ Supplemental Deed of Trust or on its Deed of Trust. If KeyBank forecloses and takes title of Parcel P-Q, then KeyBank may develop an alternative use (alternative to the hotel-casino project) after five years from the COPs closing have passed (**Section 2.3(b) of P-Q DSLUR**). In the event Key Bank would foreclose, the obligation of Developer to convey the City Hall Site to the City will remain in full force and effect.

IV. Block Project

A. Scope. “LiveWork Las Vegas” or the Block Project is the third project of the three-tiered development plan with Forest City/LiveWork (the Developer). (The LiveWork Las Vegas project is

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referred to as the “Block Project” in the Master Development Agreement and as the “Project” in the Owner Participation Agreement.) It is planned to include a new, Class “A” office development and retail development to complement the City Hall Project and the City’s “Office District” in the Downtown Centennial Plan. Developer intends to build this project over multiple phases between 2012 and 2020. Phase 1 is expected to be 250,000 square feet of office space, 43,000 square feet of retail space, and a gaming concourse of 31,000 square feet. The entire development program encompasses up to 1,000,000 square feet of office space, up to 300,000 square feet of retail space, the gaming concourse, and 3,808 parking spaces. Developer will determine the scope and schedule of each phase of the Block Project prior to construction commencement. The ultimate size and timing of each phase may be altered by market demand. In addition to the City Hall Site, the Block Project will be built on three downtown City Blocks, which are bounded by Clark Avenue to the north, Garces Avenue to the south, Main Street to the west, and Casino Center Boulevard to the east. A conceptual rendering of the project is shown below:



B. Bonneville Transit Center and Gaming Concourse. The Bonneville Transit Center, a terminal which will be the central station for the Regional Transportation Commission of Southern Nevada (RTC), is under construction by the RTC. (The RTC has entered into a long-term ground lease with Forest City to enable development of the Transit Center, as depicted on Block B, Exhibit H to the Owner Participation Agreement.) Developer and the City are coordinating to vacate the portion of First Street between Garces Avenue and Bonneville Avenue and the proposed dedication Developer-owned land to the City for facilitating the Bonneville Couplet, a one-way street couplet whereby Bonneville

Public-Private Partnership with Forest City/LiveWork

Executive Summary

Avenue will be reconfigured for eastbound one-way traffic and Clark Avenue will be reconfigured for West-bound one-way traffic. Further, the City will consider conveying an approximately 6-foot wide portion of First Street between Bonneville Avenue and First Street to Developer. Developer and the City are currently negotiating an MOU which will set forth the terms of the transactions described above. Developer intends to use the land vacated on First Street between Garces Avenue and Bonneville Avenue to accommodate an enclosed pedestrian concourse which will be comprised of retail and service uses and may include a gaming concourse to be developed adjacent to the Bonneville Transit Center. (Developer has agreed in the street vacation to maintain pedestrian access on First Street.)

C. Phase 1 of the Block Project. The Developer will enter into an **Owner Participation Agreement** (“OPA”) with the City of Las Vegas Redevelopment Agency for the land which Developer (via LiveWork, LLC, FC Vegas 39, LLC and FC Vegas 20, LLC) owns in the 5-Block Area shown above. (Developer did not purchase all of the parcels in the “middle” blocks C & D.) The OPA provides for a full tax increment rebate of the projected property taxes to be received by the Redevelopment Agency using the *distribution* rate of the Clark County treasurer for tax district 203 (currently \$1.9715 per \$100 of Assessed Value, which is approximately 60% of the total taxes payable). For Phase 1 of the Block Project, Developer has agreed to commence construction no later than one year after the start of the City Hall construction and after the recordation of the First Street Vacation (**Section 2.6 of the OPA**). Using a “carrot and stick” approach, the Redevelopment Agency will invoke a clawback if Developer doesn’t start Phase 1 on time. Developer’s TIF Rebate share for Phase 1 is reduced over time as follows:

- 81.7% of the full incentive if Developer starts one year past the Phase 1 Start Date
- 63.4% of the full incentive if Developer starts two years past the Phase 1 Start Date
- 50% of the full incentive if Developer starts three years or more past the Phase 1 Start Date

The term of the TIF Rebate incentive for the Phase 1 project runs through the sunset date of the Redevelopment Agency, which is March 5, 2031.

D. Future Phases of the Block Project. Given the scale of the Block Project and the need for market timing, the Redevelopment Agency and Developer have not required a fixed development schedule for the remaining phases of the Block Project. Instead, the Redevelopment Agency again is using a “carrot and stick” approach to encouraging the Block Project’s development. If Developer succeeds in developing 730,000 square feet within 10 years, then the Redevelopment Agency will extend the terms of the TIF Rebate to a full 20-year period (or the sunset date of the Redevelopment Agency, whichever is sooner).

E. Parking for the Block Project. The Redevelopment Agency has agreed to *consider* various strategies for publicly supporting parking in the Block Project. The Agency realizes that the physical and economic conditions of the Block Project make structured parking very expensive, and could render the Block Project less competitive with other Class “A” office projects in the Las Vegas Valley. The Agency and the Developer outline possible strategies in Attachment I to the **Owner Participation Agreement**. These strategies do not bind either party, but are only a framework for discussing a solution to the parking needs of the Block Project.

F. Employment Plan and Prevailing Wage Rates for Construction. Because the scope and timing of the Block Project (with the exception of Phase 1) is not clearly defined, the Agency is requiring Developer to follow a general Employment Plan defined in Attachment “D” to the **Owner Participation Agreement**. The Employment Plan will require that Developer use affirmative efforts to ensure participation in the construction of the Block Project from minority-owned firms, women-owned firms, disabled-veteran-owned firms, and firms which are located in close proximity to the Block Project.